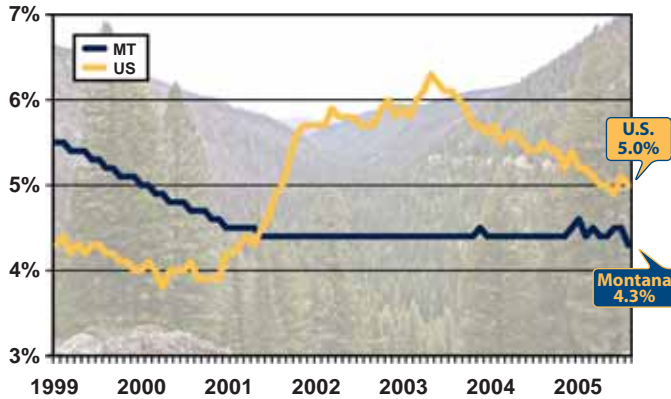


# MONTANA Economy at a Glance

Editor: Robert C. Marvin

## Unemployment

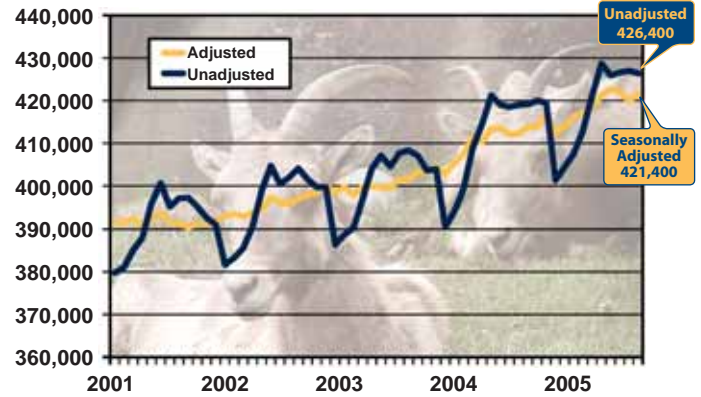
Seasonally adjusted (preliminary Oct. 2005 data)



Montana's seasonally adjusted unemployment rate fell to 4.3% in October 2005 from 4.5% in September 2005. The U.S. unemployment rate also fell slightly in October, dropping to 5.0% from 5.1% in September.

## Nonfarm Employment

January 2001 - October 2005



Montana's seasonally adjusted nonagricultural payroll employment was up 900 jobs (0.2%) over-the-month for October 2005. The largest gains were seen in Total Government, which was up by 1,400 jobs (1.6%), Leisure & Hospitality, up 1,000 jobs (1.8%), and Other Services, up by 300 jobs (1.8%).

## Unemployment by County

Not seasonally adjusted

	Oct. 2005*	Oct. 2004		Oct. 2005*	Oct. 2004
U.S.	4.6	5.1	McCone	2.7	2.3
MONTANA	3.7	3.8	Madison	2.6	3.0
			Meagher	3.4	4.5
Beaverhead	3.3	2.9	Mineral	4.9	4.8
Big Horn	8.2	8.4	Missoula	3.6	3.5
Blaine	3.8	4.3	Musselshell	4.4	4.9
Broadwater	3.1	3.2	Park	3.3	3.6
Carbon	3.8	3.7	Petroleum	3.7	4.1
Carter	3.4	2.5	Phillips	3.0	3.2
Cascade	3.9	3.7	Pondera	4.9	4.5
Chouteau	3.2	2.8	Powder River	3.0	2.5
Custer	3.4	3.3	Powell	5.9	5.7
Daniels	3.2	2.5	Prairie	3.1	2.5
Dawson	3.3	2.9	Ravalli	4.1	4.3
Deer Lodge	5.0	5.3	Richland	2.9	2.6
Fallon	2.5	2.3	Roosevelt	6.2	5.7
Fergus	3.6	3.6	Rosebud	5.2	4.7
Flathead	4.0	4.4	Sanders	5.5	5.1
Gallatin	2.8	3.0	Sheridan	3.4	2.7
Garfield	3.2	2.6	Silver Bow	4.2	4.3
Glacier	7.0	6.9	Stillwater	3.2	2.9
Golden Valley	3.3	3.9	Sweet Grass	1.8	1.7
Granite	4.1	3.9	Teton	3.1	3.3
Hill	3.9	3.9	Toole	3.1	3.1
Jefferson	3.5	3.3	Treasure	3.1	3.5
Judith Basin	3.9	2.9	Valley	3.4	3.7
Lake	4.8	4.8	Wheatland	3.4	3.2
Lewis & Clark	3.4	3.4	Wibaux	3.4	2.9
Liberty	3.5	3.3	Yellowstone	3.2	3.2
Lincoln	6.2	7.0			

\* October 2005 rates preliminary

## Employment by Industry

Over-the-year change - Not seasonally adjusted

Industry Employment (in thousands)	Oct. 2005	Oct. 2004	Net Change	Percent Change
Total Non-Agricultural	426.4	419.1	7.3	1.7%
Natural Resources & Mining	8.0	7.6	0.4	5.3%
Construction	28.4	27.1	1.3	4.8%
Manufacturing	19.5	19.5	0.0	0.0%
Trade, Transportation, Utilities	87.0	85.9	1.1	1.3%
Information	7.7	7.6	0.1	1.3%
Financial Activities	21.1	21.0	0.1	0.5%
Professional & Business Services	34.7	33.3	1.4	4.2%
Education & Health Services	56.3	54.9	1.4	2.6%
Leisure & Hospitality	56.5	54.8	1.7	3.1%
Other Services	17.2	17.5	-0.3	-1.7%
Total Government	90.0	89.9	0.1	0.1%

## Unemployment by Statistical Area

Not seasonally adjusted

### Metropolitan Statistical Areas

	Oct. 2005*	Oct. 2004
Billings	3.2	3.2
Great Falls	3.9	3.7
Missoula	3.6	3.5

\*October 2005 rates preliminary

### Micropolitan Statistical Areas

	Oct. 2005*	Oct. 2004
Bozeman	2.8	3.0
Butte-Silver Bow	4.2	4.3
Havre	3.9	3.9
Helena	3.4	3.4
Kalispell	4.0	4.4

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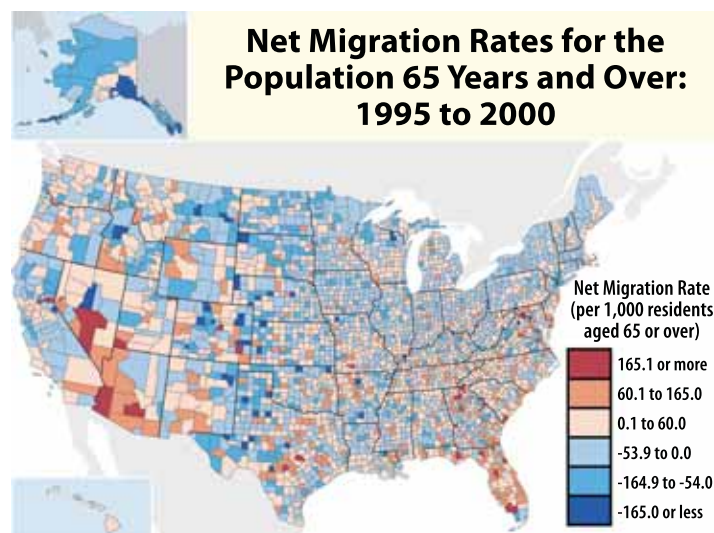
### The Economic Consequences of Montana's Graying Workforce

by Brad Eldredge, Chief Economist

Most Montanans have probably heard anecdotes about wealthy out of state retirees moving into the more scenic parts of our state. Some communities attempt to attract seniors as an economic development strategy. At the same time, Montana's native population also continues to age. How much will Montana's aging population affect the state's economy? This article looks at the data on aging in Montana and addresses one of the consequences of an aging population: a potentially smaller workforce.

Census data on migration reveals that between 1995 and 2000 more seniors (those 65 and older) moved into the state than left it. Figure 1 shows that seniors tend to leave the "rust belt" areas of the Northeast for warmer climates in the South and Southwest. The Rocky Mountain states of Utah, Idaho, and Montana also attract more seniors than they lose. While these interstate migration flows are not trivial (1.5 million seniors changed states between 1995 and 2000), the census migration data shows that seniors are less likely to move than the population as a whole. Nationwide, only 23% of seniors changed addresses between 1995 and 2000, compared with 48% of the population of ages 5 to 64. Furthermore, of the 23% of seniors who changed addresses, only 19% moved to a different state<sup>1</sup>. In other words, most seniors are homegrown. The map below shows that senior migration is not homogenous within the state. Between 1995 and 2000, seniors generally left the state's eastern counties, while the western counties experienced net inflows. Counties with higher populations also attracted seniors.

Figure 1.



Map from the U.S. Census Bureau's special report "Internal Migration of the Older Population: 1995 to 2000". Available at [www.census.gov/prod/2003pubs/censr-10.pdf](http://www.census.gov/prod/2003pubs/censr-10.pdf).

Do these anecdotes about Montana becoming a retirement community for out of state folks have a factual basis? According to the census, Montana experienced an inflow of 6,900 seniors between 1995 and 2000 but also lost 6,000, for a net migration of 900 seniors. This hardly constitutes a flood of retirees, although the data is dated and in-migration may have increased over the last five years.

Several factors work to draw seniors to the state. Many have existing ties to Montana and return home when they retire<sup>1</sup>. The state's relatively inexpensive housing compared with the retirees' home states may also play a role. Finally, studies suggest that areas with access to quality healthcare tend to be attractive to retirees.

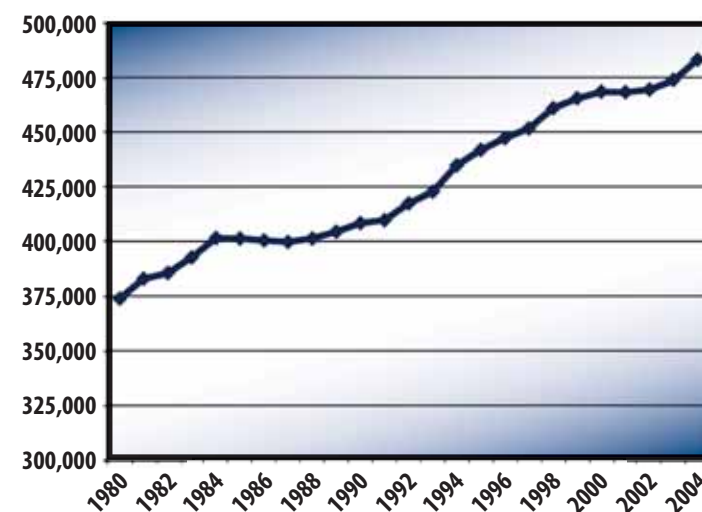
The Census Bureau projects that Montana's 65 and older population will increase by 64% between 2005 and 2020. Most of this increase will come from homegrown Montana baby-boomers reaching retirement age. Economic issues associated with this aging population may include increased healthcare costs, increased healthcare jobs, potential reluctance of the aging population to support school funding,<sup>2</sup> and Social Security and Medicare insolvency. An attempt to address each of these issues is beyond the scope of this article. The remainder of this article focuses on one aspect of the aging population, the potential decline in the size of the state's labor force.

#### Montana's Aging Workforce:

One common measure of the well being of Montana's economy is the value of its output, or Gross State Product (GSP). Output is a product of human capital (the labor force) and physical capital (i.e. machines, buildings, computers). An increase in either factor will lead to an increase in the economy's output, while a decrease will lead to a decline in output, all else being equal.

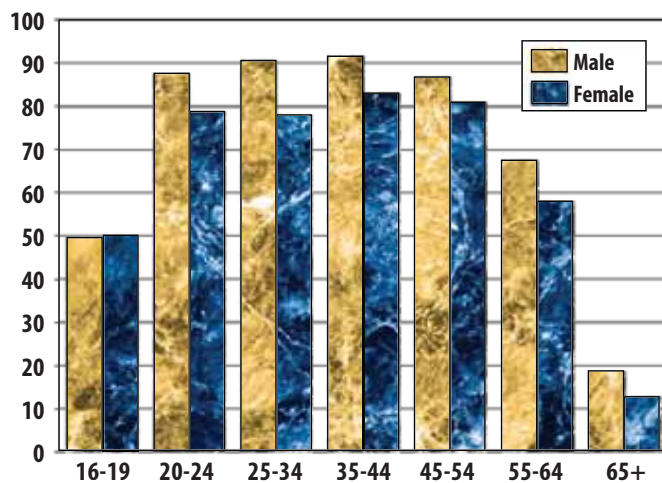
Figure 2 shows Montana's labor force growth from 1980 to 2004. The labor force grew in all but two brief periods (1985 through 1987, and 2001), increasing from 373,810 in 1980 to 483,043 in 2004. The increasing labor force undoubtedly contributed to Montana's GSP, which grew in every year, except 1985, during the same time period. As the baby-boom generation retires, Montana's labor force could eventually start to decline. Figure 3 displays current labor force participation rates in the state. If these rates do

Figure 2.



Source: Local Area Unemployment Survey (LAUS) Program.

Figure 3.



Source: Bureau of Labor Statistics, Current Population Survey, <http://stats.bls.gov/cps/>

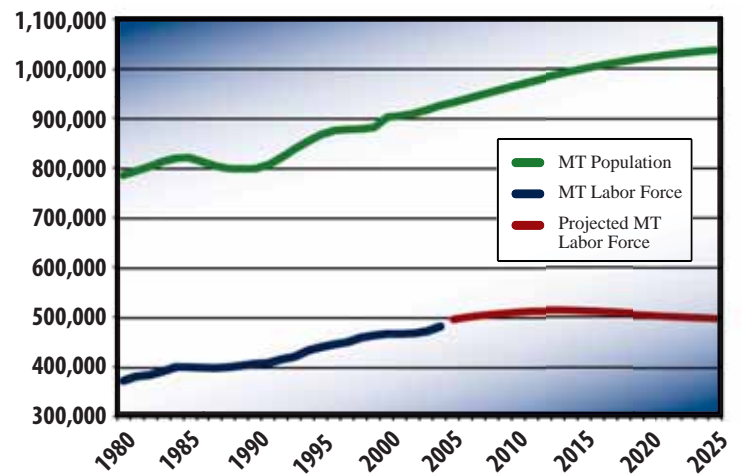
not change in the future, and if the Census Bureau's population estimates are correct, then Montana's labor force will peak in 2013 and decline thereafter. At the same time, the Census Bureau projects Montana's overall population will continue to grow (see Figure 4).

There are several potential consequences for the Montana economy if the labor force indeed starts to shrink in 2013. First, a shortage of workers may lead to higher wages as employers bid for a smaller pool of applicants. Second, a shrinking workforce may lead to a declining GSP, since GSP is a function of labor and physical capital. A declining GSP would not necessarily lead to a lower standard of living if the population as a whole were also declining. As figure 3 shows, however, the total population is expected to continue to increase. In this case, a declining GSP would also lead to a decline in per capita GSP, in other words, a lower standard of living for the average Montanan.

How can Montana avoid this fate? First, recall that GSP is a function of both labor and physical capital. A decline in the labor force could be made up for by a sufficient increase in the state's capital stock. A declining labor force will encourage businesses to substitute capital for labor. An example of this is the self-checkout aisles that are becoming popular at large retailers. Substitution of capital for labor, together with the development of new technologies that allow workers to increase their productivity, could allow GSP to continue to grow even as the labor force declines. Second, increasing labor force participation rates could allow the labor force to increase beyond 2013. Figure 3 shows that Montanans between the ages of 20 and 54 already participate at high rates. If more workers 55 and older were encouraged to continue working, the labor force would be less likely to decline. Finally, if immigration increased more than the census currently estimates, then the labor force could continue to expand. Increased immigration could result from either wages being bid up to attract out of state residents, or through changes in immigration law making it easier to immigrate to the United States from other countries.

If current population and labor force trends continue as expected, a future labor shortage is probable, and Montana businesses need to plan accordingly. This may mean finding new ways to retain potential retirees, such as offering phased retirement or job-sharing programs. It also means making more effective investments in capital and new technologies. As always, it is the businesses that can innovate in a changing market that will prosper.

Figure 4.



Sources: Bureau of Labor Statistics-Current Population Survey, U.S. Census Bureau projections, Local Area Unemployment Survey (LAUS) Program, and the Research & Analysis Bureau.

#### Works Cited:

<sup>1</sup> Clement, Douglas (2004) "Is Gray the New Gold?" *Fedgazette* May, 2004. Minneapolis Federal Reserve.

<sup>2</sup> Gradstein, Mark and Kaganovich, Michael (2004) "Aging Population and Education Finance" *Journal of Public Economics*. v. 88 p 2469-85. December 2004.

### New Methodology for Calculating Unemployment Rates

Beginning in January of 2005 the Bureau of Labor Statistics modified the process used to estimate unemployment rates. This modification resulted in rate shifts for many counties in Montana. Additionally, the re-estimation of prior years rates has altered previously reported data. These changes were implemented, in part, to better capture the effects of new entrants into the labor force.

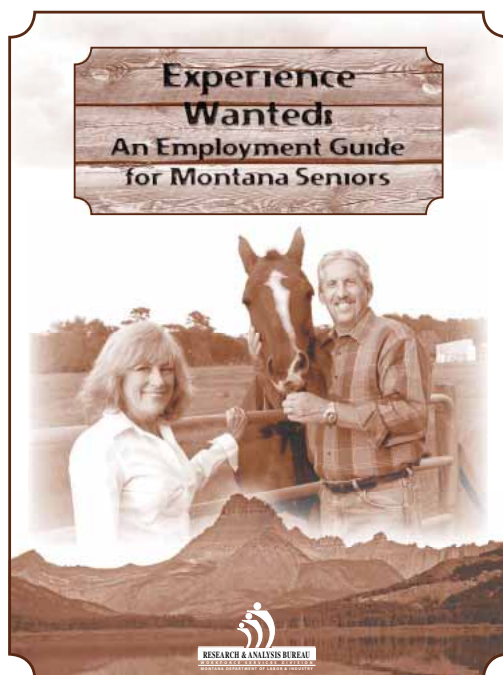
New entrants are traditionally represented by individuals between the ages of 16-19 or those who have recently graduated from college. Historically this segment of the labor force has been relatively small. However, adjustments in the methodology used to calculate unemployment rates have increased new entrants' share of the labor force. This increase has noticeable effects on areas where new entrant populations are historically small or large and can, in some cases, cause noticeable shifts in previously estimated rates.

While this change may inconvenience some customers, the Research and Analysis Bureau hopes that this explanation will shed light on the cause of the changes. Any additional questions or concerns regarding this issue should be directed to Bureau Economist Tyler Turner. He can be reached at (406)-444-2992 or at [tturner@mt.gov](mailto:tturner@mt.gov).



## Attention Montana Seniors

The Department of Labor & Industry's Research & Analysis Bureau is proud to announce the release of our newest publication: "Experience Wanted: An Employment Guide for Montana Seniors". The guide was designed for older Montanans who want to get back into the workforce, are thinking about switching careers, or are considering alternatives to traditional retirement. It covers topics such as job hunting, staying current in today's workforce, balancing your time, how work affects your social security benefits, and more. The publication is now available online at [www.ourfactsyourfuture.org](http://www.ourfactsyourfuture.org).



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We'd like to thank you in advance for taking part in this survey.

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